



Dave Yost • Auditor of State

**PAXTON TOWNSHIP
ROSS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Paxton Township
Ross County
P.O. Box 217
Bainbridge, Ohio 45612

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts, and disbursements by fund type, and related notes of Paxton Township, Ross County, (the Township) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Paxton Township, Ross County, as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 8 to the financial statements, Paxton Township issued 2012 financial statements using the other cash basis of accounting (OCBOA) which included entity wide statements of net position and activities, and fund financial statements which presented each major fund in a separate column with nonmajor funds aggregated and presented in a single column. For 2013, the Township reported fund financial statements by fund type using the regulatory basis of accounting prescribed by the State Auditor's Office. The fund financial statements now present a column for each fund type. Our opinion is not modified with respect to this matter

Also, the January 1, 2013 balances were restated for the Special Revenue and Permanent Funds due to a prior period adjustment in which a certificate of deposit was posted to the Cemetery Endowment Fund instead of the Cemetery Fund. This matter does not affect our opinion on these financial statements.

As discussed in Note 10 to the financial statements, the Township had negative cash balances in the General Fund at December 31, 2014 and 2013 which resulted from audit adjustments posted to the financial statements. Note 10 describes Management's plans regarding this matter. This matter does not affect our opinion on these financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2016, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

May 26, 2016

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**PAXTON TOWNSHIP
ROSS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$28,743	\$98,863			\$127,606
Charges for Services		111,376			111,376
Licenses, Permits and Fees		15,234			15,234
Intergovernmental	24,592	107,561			132,153
Earnings on Investments	28				28
Miscellaneous	3,878	18,658			22,536
<i>Total Cash Receipts</i>	<u>57,241</u>	<u>351,692</u>	<u>0</u>	<u>0</u>	<u>408,933</u>
Cash Disbursements					
Current:					
General Government	62,153	124,605			186,758
Public Safety	886	47,169			48,055
Public Works		83,475			83,475
Health		29,503		2,750	32,253
Capital Outlay		1,039			1,039
<i>Total Cash Disbursements</i>	<u>63,039</u>	<u>285,791</u>	<u>0</u>	<u>2,750</u>	<u>351,580</u>
<i>Net Change in Fund Cash Balances</i>	(5,798)	65,901	0	(2,750)	57,353
<i>Fund Cash Balances, January 1</i>	<u>(2,104)</u>	<u>107,478</u>	<u>753</u>	<u>2,804</u>	<u>108,931</u>
Fund Cash Balances, December 31					
Restricted		156,327	753	54	157,134
Committed		17,052			17,052
Unassigned (Deficit)	(7,902)				(7,902)
<i>Fund Cash Balances, December 31</i>	<u>(\$7,902)</u>	<u>\$173,379</u>	<u>\$753</u>	<u>\$54</u>	<u>\$166,284</u>

The notes to the financial statements are an integral part of this statement.

**PAXTON TOWNSHIP
ROSS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$24,723	\$95,506			\$120,229
Charges for Services		96,323			96,323
Licenses, Permits and Fees		12,877			12,877
Intergovernmental	29,964	125,701			155,665
Earnings on Investments	61	5			66
Miscellaneous	3,161	15,066			18,227
<i>Total Cash Receipts</i>	<u>57,909</u>	<u>345,478</u>	<u>0</u>	<u>0</u>	<u>403,387</u>
Cash Disbursements					
Current:					
General Government	70,392	135,104			205,496
Public Safety	3,500	39,555			43,055
Public Works		90,628			90,628
Health		25,759			25,759
Capital Outlay		43,215			43,215
Debt Service:					
Principal Retirement		8,163			8,163
Interest and Fiscal Charges		80			80
<i>Total Cash Disbursements</i>	<u>73,892</u>	<u>342,504</u>	<u>0</u>	<u>0</u>	<u>416,396</u>
<i>Net Change in Fund Cash Balances</i>	(15,983)	2,974	0	0	(13,009)
<i>Fund Cash Balances, January 1 - Restated See Note 8</i>	<u>13,879</u>	<u>104,504</u>	<u>753</u>	<u>2,804</u>	<u>121,940</u>
Fund Cash Balances, December 31					
Restricted		107,478	753	2,804	111,035
Unassigned (Deficit)	(2,104)				(2,104)
<i>Fund Cash Balances, December 31</i>	<u>(\$2,104)</u>	<u>\$107,478</u>	<u>\$753</u>	<u>\$2,804</u>	<u>\$108,931</u>

The notes to the financial statements are an integral part of this statement.

**PAXTON TOWNSHIP
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Paxton Township, Ross County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, maintenance of cemeteries and fire and emergency service protection.

The Township participates in the Ohio Plan Risk Management, Inc. (OPRM), a risk-sharing pool available to Ohio Townships. Note 7 to the financial statements provides additional information for this entity.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits

The Township's accounting basis includes cash as assets.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**PAXTON TOWNSHIP
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Fire and Rescue, Ambulance and Emergency Medical Services Fund - This fund receives charges for service revenue for providing ambulance and emergency medical services.

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

3. Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus encumbered cash as of January 1. The County Budget Commission must approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

**PAXTON TOWNSHIP
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**PAXTON TOWNSHIP
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

G. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. Equity in Pooled Deposits

The Township maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2014	2013
Demand deposits	\$166,284	\$108,931

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

3. Budgetary Activity

Budgetary activity for the years ending 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$68,591	\$57,241	(\$11,350)
Special Revenue	314,950	351,692	36,742
Total	\$383,541	\$408,933	\$25,392

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$77,697	\$63,039	\$14,658
Special Revenue	374,820	285,791	89,029
Capital Projects	753	753	753
Permanent	2,804	2,750	54
Total	\$456,074	\$351,580	\$104,494

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$69,158	\$57,909	(\$11,249)
Special Revenue	319,147	345,478	26,331
Total	\$388,305	\$403,387	\$15,082

**PAXTON TOWNSHIP
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. Budgetary Activity (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$79,841	\$73,892	\$5,949
Special Revenue	398,469	342,504	55,965
Capital Projects	753	753	753
Total	\$479,063	\$416,396	\$62,667

Contrary to Ohio law, at December 31, 2014, the General Fund had a cash deficit balance of \$7,902. At December 31, 2013, the General Fund had a cash deficit balance of \$2,104.

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

5. Debt

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
Ross County Commissioners' Loan	\$10,000	0%
Total	\$10,000	

In January 2011, the Township received a \$30,000 loan from the Ross County Commissioners to assist in repairing Tong Hollow Road after a landslide occurred. The Township has agreed to repay the County with six annual installments of \$5,000. This loan will be fully repaid in 2016.

Amortization of the above debt, including interest, is scheduled as follows:

	Ross County Commissioners' Loan
Year ending December 31:	
2015	\$5,000
2016	5,000
Total	\$10,000

**PAXTON TOWNSHIP
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

6. Retirement Systems

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2014.

7. Risk Management

The Government belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 783 members as of December 31, 2013 and 2014 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2013 and 2014:

**PAXTON TOWNSHIP
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. Risk Management (Continued)

	2013	2014
Assets	\$13,774,304	\$14,830,185
Liabilities	(7,968,395)	(8,942,504)
Members' Equity	\$5,805,909	\$5,887,681

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

8. Change in Basis of Accounting and Restatement of Fund Balances

For 2012, the Township reported using the other cash basis of accounting (OCBOA) which reported fund financial statements which presented each major fund in a separate column with nonmajor funds aggregated and presented in a single column. The Gasoline Tax Fund, Ambulance and EMS Billing Fund and Cemetery Fund were major funds with December 31, 2012 balances of \$22,636, \$19,046 and \$13,121, respectively. Other Governmental Funds were comprised of the Motor Vehicle License Tax Fund (\$11,947), Road and Bridge Fund (\$9,531), Fire Levy (includes Bainbridge) Fund (\$2,426), Fire Levy (excludes Bainbridge) Fund (\$1,910), Ambulance and EMS Operating Levy Fund (\$8,900), Cemetery Operating Levy Fund (\$11,987), Miscellaneous Capital Projects Fund (\$753), Cemetery Endowment Fund (\$5,804).

For 2013, the Township reported fund financial statements by fund type using the regulatory basis of accounting prescribed by the State Auditor's Office. The fund financial statements now present a column for each fund type. The Gasoline Tax Fund, Ambulance and EMS Billing Fund Motor Vehicle License Tax Fund, Gasoline Tax Fund, Road and Bridge Fund, Cemetery Fund, Fire Levy (includes Bainbridge) Fund, Fire Levy (excludes Bainbridge) Fund, Ambulance and EMS Operating Levy Fund, Cemetery Operating Levy Fund and Ambulance and EMS Billing Fund make up the Special Revenue Funds with a restated January 1, 2012 balance of \$101,504. The Miscellaneous Capital Projects Fund is the only Capital Projects Fund with a restated January 1, 2013 balance of \$753. The Cemetery Endowment Fund is the only Permanent Fund with a January 1, 2013 balance of \$5,804.

The January 1, 2013 balances were restated for the Special and Permanent Funds due to a certificate of deposit being erroneously posted to the Cemetery Endowment Fund instead of the Cemetery Fund.

Fund Type	December 31, 2013 Audited Balance	January 1, 2014 Restated Balance	Restatement Amount
Special Revenue	\$101,504	\$104,504	\$3,000
Permanent	5,804	2,804	(3,000)
Total	\$107,308	\$107,308	\$0

**PAXTON TOWNSHIP
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

9. Material Noncompliance

Contrary to Ohio Rev. Code §505.84, the Township collected fees for EMS services totaling \$13,200 for 2014 and \$10,350 for 2013 and did not account for the fees in a separate fund.

10. Deficit Fund Balances

As of December 31, 2014 and December 31, 2013, the Township had General Fund balances of (\$7,902) and (\$2,104) respectively, as a result of audit adjustments posted to the financial statements. Management plans to implement cost-cutting measures to increase the General Fund balance.

11. Subsequent Events

On February 2, 2015, the Board approved the purchase of a 2015 ambulance at a cost of \$119,891. The Township paid a down payment of \$20,391 and financed the remaining \$99,500 through Republic First National Corporation.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Paxton Township
Ross County
P.O. Box 217
Bainbridge, Ohio 45612

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Paxton Township, Ross County, (the Township) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated May 26, 2016 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the Township issued 2012 financial statements using the other cash basis of accounting (OCBOA. For 2013, the Township reported fund financial statements by fund type using the regulatory basis of accounting prescribed by the State Auditor's Office. Furthermore, we noted beginning fund balances were restated as of January 1, 2013 for the Special Revenue and Permanent Funds. The Township also had deficit cash balances in the General Fund at December 31, 2014 and December 31, 2013.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2014-001 and 2014-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2014-002 and 2014-003.

Entity's Response to Findings

The Township's responses to the Findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

May 26, 2016

**PAXTON TOWNSHIP
ROSS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Material Weakness

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements.

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Township misclassified and misposted various receipts and disbursements in the annual financial report submitted to the Auditor of State for fiscal years 2014 and 2013 as follows:

On the December 31, 2014 financial statements:

- In the General Fund, \$4,745 in Intergovernmental Revenue was misposted to Taxes.
- A gasoline tax receipt in the amount of \$2,675 was posted to General Fund as Intergovernmental Revenue instead of the Gasoline Tax Fund as Intergovernmental Revenue.
- Charges for Services monies collected from Perry Township totaling \$13,200 were posted to the General Fund instead of the Fire and Rescue Ambulance EMS Services Fund
- In the Fire and Rescue Ambulance EMS Services Fund, \$1,923 received for a seatbelt grant was posted as Miscellaneous Revenue instead of Intergovernmental Revenue.
- A donation in the amount of \$338 was posted to the Gasoline Tax Fund as Intergovernmental Revenue instead of the General Fund as Miscellaneous Revenue.
- The Road and Bridge Fund balance of \$17,052 at December 31, 2014 misclassified as Restricted rather than Committed.

On the December 31, 2013 financial statements:

- In the General Fund, \$4,621 in Intergovernmental Revenue was misposted to Taxes.
- A manufactured home tax receipt was misposted entirely to the General Fund instead of accurately posting \$162 to the Road and Bridge Fund Taxes; \$166 to the Fire (includes Bainbridge) Fund Taxes; \$121 to the Fire (excludes Bainbridge) Fund Taxes; \$168 to the Ambulance and EMS Operating Levy Fund Taxes; \$130 to the Cemetery Operating Fund Taxes; and \$325 to the Fire and Rescue Ambulance EMS Services Fund Taxes.
- A manufactured home tax receipt in the amount of \$172 was posted to the Motor Vehicle License Tax Fund as Intergovernmental Revenue instead of the General Fund as Taxes.

**FINDING NUMBER 2014-001
(Continued)**

- Charges for Services monies collected from Perry Township totaling \$10,350 were posted to the General Fund instead of the Fire and Rescue Ambulance EMS Services Fund
- In the Fire and Rescue Ambulance EMS Services Fund, \$6,000 received for a seatbelt grant was posted as Miscellaneous Revenue instead of Intergovernmental Revenue.
- In the Cemetery Fund, the closing of a \$3,000 certificate of deposit was inaccurately posted as Miscellaneous Revenue.
- The Township was involved in a resurfacing project which the County Engineer's Office made the payments on behalf of the Township, and the Township inaccurately posted the following amounts:
 - In the Motor Vehicle License Tax Fund, Intergovernmental Revenue and Capital Outlay in the amount of \$5,786 were not recorded, and \$1,700 in Capital Outlay disbursement were classified as Public Works.
 - In the Gasoline Tax Fund, an Intergovernmental Revenue and Capital Outlay in the amount of \$6,871 were not recorded, and \$2,067 in Capital Outlay disbursements were classified as Public Works.
 - In the Road and Bridge Fund, Intergovernmental Revenue and Capital Outlay in the amount of \$5,424 were not recorded.

The Township has adjusted the financial statements and accounting records, where appropriate, to correct these errors.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and footnotes by the Fiscal Officer and Board of Trustees to identify and correct errors and omissions.

We also recommend the Fiscal Officer take care in posting transactions in order to ensure the year-end financial statements reflect the appropriate activity for the Township's receipts and expenditures.

FINDING NUMBER 2014-002

Noncompliance and Material Weakness

Ohio Rev. Code, § 505.84 states a board of township trustees may establish reasonable charges for the use of fire and rescue services, ambulance services, or emergency medical services. The board may establish different charges for township residents and nonresidents, and may, in its discretion, waive all or part of the charge for any resident. The charge for ambulance transportation for nonresidents shall be an amount not less than the authorized Medicare reimbursement rate, except that, if prior to September 9, 1988, the board had different charges for residents and nonresidents and the charge for nonresidents was less than the authorized Medicare reimbursement rate, the board may charge nonresidents less than the authorized Medicare reimbursement rate.

**FINDING NUMBER 2014-002
(Continued)**

Except as provided in § 505.441 of the Revised Code, charges collected under this section shall be kept in a separate fund designated as "the fire and rescue services, ambulance services, and emergency medical services fund," and shall be appropriated and administered by the board. The fund shall be used for the payment of the costs of the management, maintenance, and operation of fire and rescue services, ambulance services, and emergency medical services in the township. If the fire and rescue services, ambulance services, and emergency medical services are discontinued in the township, any balance remaining in the fund shall be paid into the general fund of the township.

The Township collected fees for EMS services from Perry Township for transport and nontransport services totaling \$13,200 in 2014 and \$10,350 in 2013. The contract between the Townships stated specifically the amount that would be charged for the transport and nontransport services. As such, these revenues should have been placed in the Fire and Rescue, Ambulance and Emergency Medical Services Special Revenue Fund. However, the Township placed these charges for services in 2014 and 2013 in the General Fund. This caused the original financial statements to have revenues improperly reported.

The Township has corrected the financial statements and accounting records to correct these errors.

We recommend the Fiscal Officer post these revenues into the Fire and Rescue, Ambulance and Emergency Medical Services Special Revenue Fund.

FINDING NUMBER 2014-003

Noncompliance

Ohio Rev. Code, § 5705.10(l) states that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund.

The General Fund balance was (\$7,902) at December 31, 2014 and (\$2,104) at December 31, 2013.

We recommend the Township monitor spending to ensure deficit balances do not occur.

Officials' Response:

The Township is diligently striving to become compliant on the above issues before the next audit.

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PAXTON TOWNSHIP
ROSS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Ohio Administrative Code § 117-2-02(A) – incorrect classifications in financial statements	No.	Partially Corrected. See Finding Number 2014-001

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Dave Yost • Auditor of State

PAXTON TOWNSHIP

ROSS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 14, 2016**